

The Textile Turnaround 2004-05



Ministry of Textiles
Government of India
www.texmin.nic.in



Smt. Sonia Gandhi, Chairperson, National Advisory Council (NAC) alongwith Shri Shankersinh Vaghela, Hon'ble Minister of Textiles & Shri Ghulam Nabi Azad, Hon'ble Minister of Parliamentary Affairs & Minister of Urban Development inaugurating the Pashmina Dehairing Plant at Leh, Laddakh

The United Progressive Alliance (UPA) Government under the visionary leadership of Smt. Sonia Gandhi, Chairperson, UPA and Hon'ble Prime Minister Dr. Mahmoan Singh completes its first year in Office. This period has seen rapid growth and development in all spheres of governance. The Ministry of Textiles, too, has recorded unprecedented progress in achieving the goals of employment generation, modernisation and fiscal reforms with a human face. Within the overall development parameters enunciated in the National Common Minimum Programme (NCMP), the Ministry of Textiles under the dynamic leadership of Shri Shankersinh Vaghela, the team of highly motivated officers and staff of the Ministry of Textiles have transformed what was called a **"Sunset Sector"** into a **"Sunrise Sector"**. This booklet details the progress in this direction.



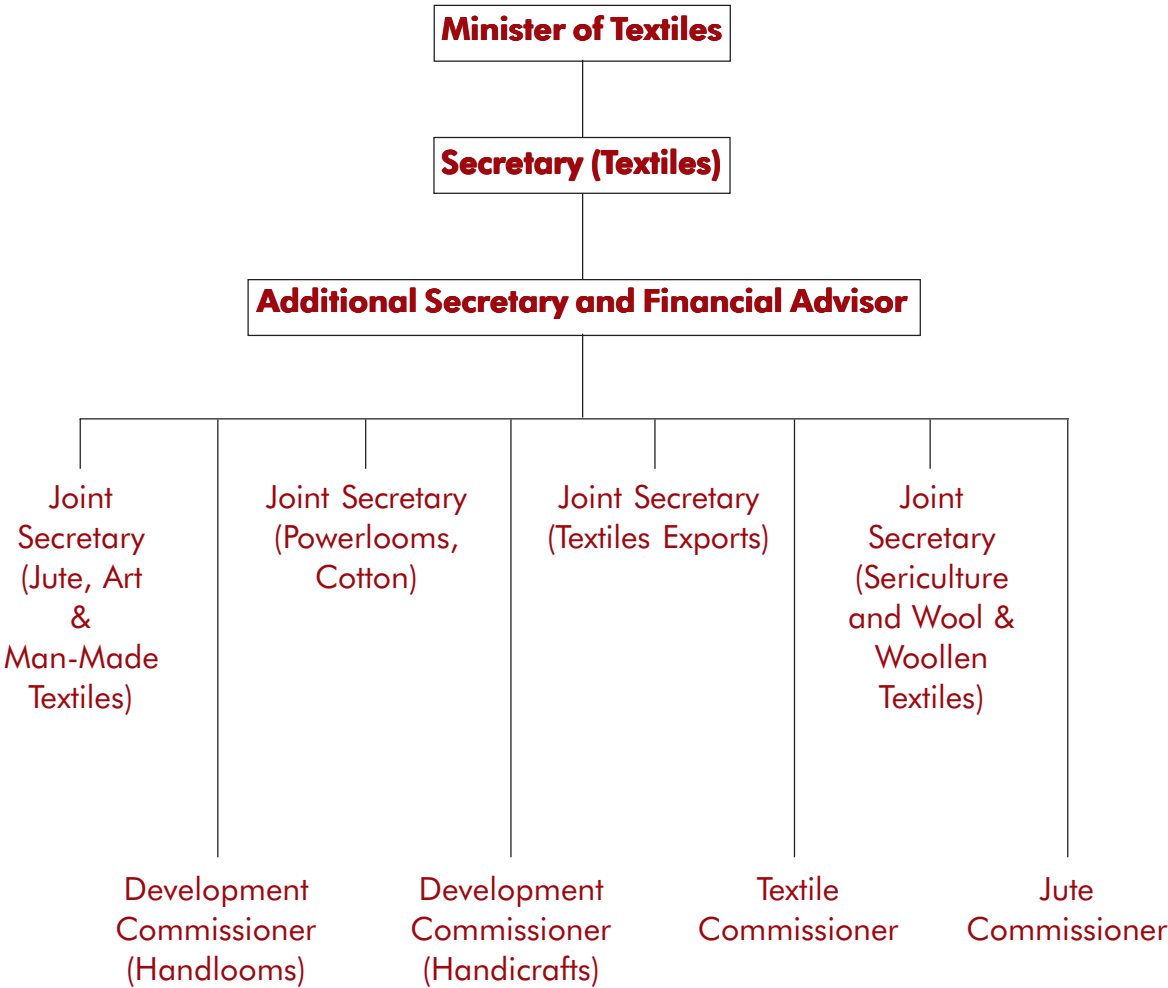
Shri Shankersinh Vaghela, Hon'ble Minister of Textiles, viewing the Silk-Worm rearing

ABOUT US

The Ministry of Textiles came into independent existence in 1989 after its separation from the Ministry of Commerce. As the textile sector provided employment next only to agriculture, a need was felt to have a separate Ministry to provide a focussed thrust to the rapid growth and development of this critical Sector.

The Ministry of Textiles is responsible for policy formulation, planning, development, export promotion and trade regulations of the textile industry. These include all natural and man-made cellulosic fibres that go into the making of textiles, clothing and handicrafts.

ORGANISATIONAL CHART



LIST OF ORGANISATIONS/BODIES UNDER THE MINISTRY OF TEXTILES

PUBLIC SECTOR ENTERPRISES	TEXTILE RESEARCH ASSOCIATIONS	EXPORT PROMOTION COUNCILS	ADVISORY BODIES	AUTONOMOUS BODIES	STATUTORY BODIES
1. Birds Jute Exports Ltd. Kolkata	1. Ahmedabad Textile Industry's Research Association, Ahmedabad	1. Apparel Export Promotion Council, New Delhi	1. All India Handloom Board	1. Central Wool Development Board, Jodhpur	1. Central Silk Board, Bangalore
2. British India Corporation along with its subsidiaries	2. Bombay Textile Research Association, Mumbai	2. Carpet Export Promotion Council, New Delhi	2. All India Handicrafts Board	2. National Institute of Fashion Technology, New Delhi	2. Commissioner of Payments, New Delhi
3. Central Cottage Industries Corporation Ltd., New Delhi	3. Indian Jute Industries Research Association, Kolkata	3. Cotton Textile Export Promotion Council, Mumbai	3. All India Powerloom Board	3. National Centre for Jute Diversification, Kolkata	3. Jute Manufactures Development Council, Kolkata
4. Cotton Corporation of India Ltd., Mumbai	4. Man-Made Textiles Research Association, Surat	4. Export Promotion Council for Handicrafts, New Delhi	4. Advisory Committee under Handlooms (Reservation of Articles for Production) Act 1985	4. Sardar Vallabhai Patel Institute of Textile Management, Coimbatore	4. Textiles Committee, Mumbai
5. Handicrafts and Handlooms Exports Corporation of India Ltd., New Delhi	5. Northern India Textile Research Association, Gaziabad	5. Handloom Export Promotion Council, Chennai	5. Coordination Council of Textile Research Associations		
6. Jute Corporation of India Ltd., Kolkata	6. South India Textile Research Association, Coimbatore	6. Indian Silk Export Promotion Council, Mumbai	6. Cotton Advisory Board		
7. National Handloom Development Corporation Ltd., Lucknow	7. Synthetic and Art Silk Mills Research Association, Mumbai	7. Powerloom Development & Export Promotion Council, Mumbai	7. Development Council for Textile Industry		
8. National Jute Manufactures Corporation, Kolkata	8. Wool Research Association, Thane	8. Synthetic and Rayon Textile Export Promotion Council, Mumbai	8. Jute Advisory Board		
9. National Textile Corporation Ltd. along with its subsidiaries		9. Wool and Woollen Export Promotion Council, New Delhi			



Shri Shankersinh Vaghela, Hon'ble Minister of Textiles, lighting the lamp at the Export Award Function of the Wool & Woollens Export Promotion Council. Looking from his left are Shri R. Poornalingam, Secretary (Textiles) & Shri Ashok Jaidka, Chairman of the Council.

THE TEXTILE TURNAROUND

Achievements of Ministry of Textiles during the last one year

Textiles: The Emotional Bond

Textile Industry occupies a unique position in our economy and psyche. The fate of rural economy and the fortune of major fibre crops and crafts — cotton, wool, silk, handicrafts and handlooms, which employs millions of farmers and craftpersons in rural and semi-urban areas, depends on textile Industry. Textile is not a mere commodity, its warps and woof reflect our trials and tribulations. The spinning wheel — the visual symbol of our freedom struggle has inspired legions of our countrymen, and filled our heart with noble emotions. The tyranny and torture endured by weavers, artisans, cultivators and mill-workers during British rule could not shake our indomitable spirit, but inspired us to higher sacrifices — such are the emotions attached with the Textiles. Gandhiji always said, “The swaraj of my dream is the poor man’s swaraj. The spinning wheel and the spinning wheel alone will solve, if anything will solve, the problem of the deepening poverty in India.” **By developing the textile Industry, we are humbly doing our might to fulfill his vision.**

Importance of Textiles in the Economy

- Employs 3.5 crore people and is the second highest employer.
- Contributes 1/5th to the total export earnings and 4% to the GDP.

- High capital employment ratio has immense potential to promote employment, especially in the rural areas.

The fortunes of one out of every 6 households in the country are linked to the progress and well being of this sector.

Neglect in the Past

- Importance not recognised as evident from inadequate budgetary allocations;
- The problems facing the sector namely - the technological obsolescence, poor infrastructure, high cost / low quality raw material, low productivity, and uneconomic operations - received scant attention;
- Lop-sided duty structure and Government policies; therefore
- Investment fell, and the sector was termed ‘sunset sector’.

The future of the industry along with millions of workers employed therein was under threat.

While the Indian textile industry was battling the internal contradictions that were consequences of the policies adopted by the previous Government, China went ahead with massive expansion and modernisation programmes.

The Approach of the UPA Government

The development and prosperity of a nation depends on the upliftment of the masses, this is the ultimate theme behind all the major initiatives taken by the Ministry. Thus this Ministry:

- Recognised the **urgency to revive and modernise** the industry.
 - The NCMP formulated under the able leadership of Smt. Sonia Gandhi has pledged to undertake modernisation programmes for the handloom, powerloom, handicrafts, sericulture and the wool development and to give fresh impetus to the Jute sector.
 - Resolved to prepare the Indian textile industry to face the challenges of the post-quota regime and to enhance its **productivity and competitiveness** in the world market.
 - Committed to enhance the **welfare and well being of the workers** particularly handloom weavers and handicraft artisans in the unorganised sector by providing social security, health insurance etc.
3. Increasing India's share in world textile trade from the current **4% to 8%** by 2010 and achieving export value of **\$ 50 billion** by 2010;
 4. Expediting the process of modernisation and consolidation for creating a globally competitive industry;
 5. Undertaking effective schemes for ensuring handsome growth in handlooms, powerlooms and handicrafts, thereby substantially enhancing the incomes of the weavers and artisans; and
 6. Turning the Public Sector Undertakings from chronic loss making units into **self-reliant** entities.

Constraints

In the process of achieving the above goals, the following constraints are being encountered, many are consequence of the policies followed in the recent past:

The last one-year has been a period of redemption of the promises made in the National Common Minimum Programme (NCMP). A concerted effort has been undertaken for the turnaround of the sector by increasing productivity.

Goals

The Ministry has set the following targets to be achieved in a 5-year period:

1. Upgradation of the technology of the industry for achieving a growth of the textile economy from the current **\$ 37 billion to \$ 85 billion** by 2010;
 2. Creation of supportive environment for facilitating massive investment in the sector and thereby creating additional **12 million jobs** in Textile Sector;
- a) Poor quality of cotton due to high degree of contamination;
 - b) Fragmented Industry created by policies that gave differential duty structure.
 - c) Obsolete technology and poor fabric quality – and the unwillingness of the Banking Sector to finance the modernisation;
 - d) Poor and obsolete quality of processing technology resulting in dependence on other countries for processing of our fabric;
 - e) High cost of power;
 - f) Restrictive Labour regulations inhibited the expansion of knitted and garment units, thereby restricting growth of both the exports and the employment; and



The border of Gajji Silk tie-dyed sari from Saurashtra, Gujarat

- g) Infrastructural constraints/bottlenecks, high turnaround time at all major ports and poor quality of surface transport.

Strategy

A multi-disciplinary strategy has been formulated to:

- a) Continue and give **stability to the fiscal duty reform process** and thereby encouraging fresh investment into the Sector;
- b) Make the Banks proactively **invest in Textile Sector**;
- c) Provide an **additional allocation of Rs. 1000 crore in the balance Xth Plan period** for Technology Upgradation Fund Scheme (TUFS), Technology Mission on Cotton (TMC), Textile Infrastructure Development Scheme (TCIDS) and Apparel Parks for Export Scheme (APE);
- d) Provide 10% Capital **subsidy for processing** under TUFS;
- e) **Dereserve knitting sector** from the ambit of Small Scale Industries (SSI);
- f) Accelerate **Labour & Power reforms** to enhance the competitiveness of the Indian textiles;
- g) Accelerate the process of **leveraging assets of PSEs** for funding already approved rehabilitation schemes; and
- h) **Review and revamp multitude of Schemes** being implemented for the welfare of the

handloom workers and handicraft artisans and substantially increasing the allocation for the welfare of the weavers and artisans in the Union Budget.

Achievements

In accordance with the above strategy as well as the relentless pursuit of the goals, the Ministry during the last one-year has succeeded in achieving the following:

1. Bringing smiles to millions of people

The UPA Government has achieved milestones on various fronts. However, the progress in textile sector stands out. Within one year the fortune of millions of common men and women, like weavers, cotton farmers, jute farmers, cocoon rearers, wool producing shepherds, mill workers, powerloom workers, artisans, traders, designers and exporters, drawing their sustenance from textiles have improved dramatically.

2. Increased Plan Allocations

- Budget allocation for textiles **increased by over 113%** as compared to the average annual allocation during the rule of the previous government.
- Allocation for the infrastructure schemes has increased by eleven times – to prepare the textile industry to face the challenges in the post-MFA scenario.
- Comparative Plan allocations for 8 major programmes is at next page:

Table 1: Comparative Plan Allocation for 8 Major Schemes/Programmes

(Rs in crores)

S. No.	Sector/Schemes	Average Annual Exp 1999-2004	Expenditure 2004-05	% Increase in 2004-05 over Average 1999-2004	Budget Estimates 2005-06	%Increase in 2005-06 over Average 1999-2004
1	TUFS	158.78	294	85%	450	183%
2	Handloom	115.73	134.66	16%	156	35%
3	Sericulture	85.584	102.66	20%	110	29%
4	Handicrafts	67.912	90.27	33%	105	55%
5	APE	7.9	25	216%	100	1166%
6	TCIDS	8	15	88%	100	1150%
7	CTM	23	35	52%	80	248%
8	S.J.D.F	3.28	5	52%	11.83	261%
	Total plan allocation textiles	539.58	874.75	62%	1150	113%

3. Fiscal Duty Reforms

Far-reaching decisions have been taken to remove the discriminatory excise duty structure, which placed the organised industry at a disadvantaged position and throttled investment in the modern mills.

- In the Budget 2004-05, the duty structure of textiles was completely revised. The **excise duty for textiles was made optional** with mandatory duty only on man-made fibres / yarns;
- Except for mandatory duty on man-made fibres / yarns, all other textile goods were fully exempt from excise duty;
- For those opting to pay the duty and thereby avail of duty credit, the duty was reduced to a nominal rate of 4% for cotton textile items (i.e., yarns, fabrics, garments and made-ups) and 8% for other textile items including yarn, fabrics, garments, and made-ups;
- Additional Excise Duty was abolished;

- Customs duty on a number of textile items was also reduced; and
- The process of fiscal duty reforms continued in the **Budget 2005-06**,
 - Excise duty on Polyester Filament Yarn and customs duty on a number of textile machinery items reduced.
 - Texturising of Polyester Filament Yarn exempted from excise duty.

The impact of fiscal duty reforms

- a) The Inspector Raj ended in one stroke;
- b) The decentralized sector – powerloom, handloom as well as small garmenting units relieved of problems of maintaining excise records and complying with excise procedures;
- c) Reduction in the cost of production;
- d) Multiplicity of taxes done away with;
- e) Investment has started flowing in the textile sector for capacity addition and modernization / technology upgradation. The CRISIL (commissioned by ICMF) estimates that fresh investment of Rs. 1,40,000 crore is expected to flow into the sector;
- f) Industry is geared up for facing post-quota challenges;
- g) Creation of additional employment opportunities expected in future;
- h) Reduction in prices has enhanced the competitiveness of the industry to compete

with confidence in the domestic as well as international market; and

- i) The pressure groups with conflicting interests have been unified to strengthen the textile industry.

4. Technology Upgradation and Growth

The cost of replacing the obsolete technology is estimated to cost Rs. 1,40,000 crore. The **Technology Upgradation Fund Scheme (TUFS)** is designed to ensure availability of the bank finance at rates comparable with the global rates. Under this, Government reimburses 5% of the interest rates charged by the Banks and Financial Institutions, thereby ensuring credit availability for upgradation of the technology at global rates.

- **During 2000-2004, projects worth Rs. 7,000 crore sanctioned. In the last one-year projects worth Rs. 6,874 crore sanctioned, logging a growth of 168% over 2003-04.**
- **The allocation for the subsidy component increased from Rs. 249 crore in 2003-04 to Rs. 435 crore in 2005-06, registering an increase of over 75%.**

Sunrise Sector

The textile products registered a growth rate of 18.2% in 2004-05 as compared to a negative growth of 3.2% in 2003-04 (Table 2). All other segments in textiles registered good growth. The spun yarn segment grew by 5.5%, hosiery segment grew by 14.7% and the cloth production increased by 7.1%. (Fig 2 & 3). **Textiles have regained the status of a 'Sunrise Sector'.**

Fig 1: High Growth in projects sanctioned under TUFs

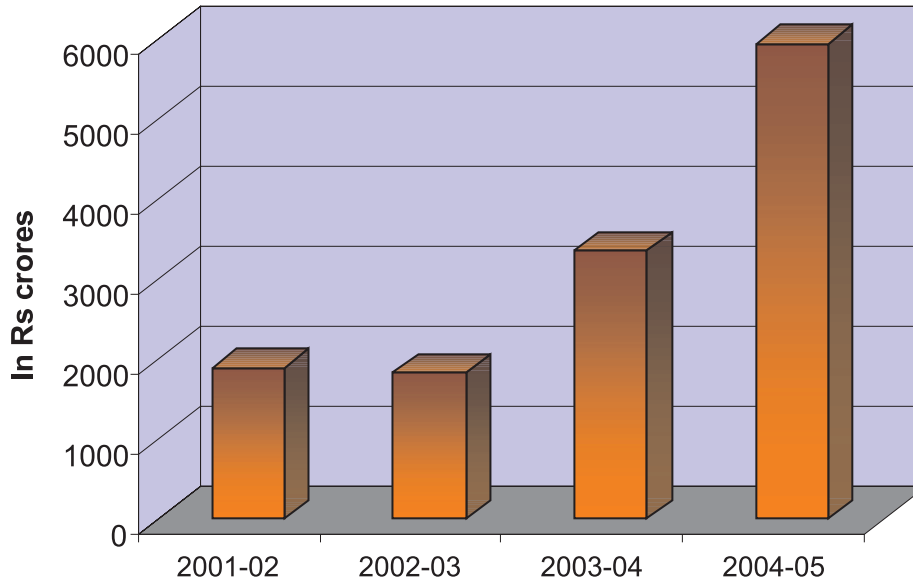


Table 2: Growth of Textile Products

Industry Code	Description	Weight	Cumulative Index			%age Growth	
			2002-03	2003-04	2004-05	2003-04	2004-05
23	Cotton Textiles	55.18	121.2	117.4	126.4	-3.1	7.7
24	Wool, Silk & Man-Made Fibre Textiles	22.58	225.1	240.5	247.0	6.8	2.7
25	Jute & Other Veg. Fibre Textiles (except Cotton)	5.9	107.9	103.4	107.2	-4.2	3.7
26	Textile Products (including Apparels)	25.37	190.3	184.3	217.9	-3.2	18.2
	Manufacturing (Total)	793.58	183.1	196.6	213.9	7.4	8.8
	General Index		176.6	189.0	204.2	7.0	8.0

Fig 2: Growth in Spun Yarn Production

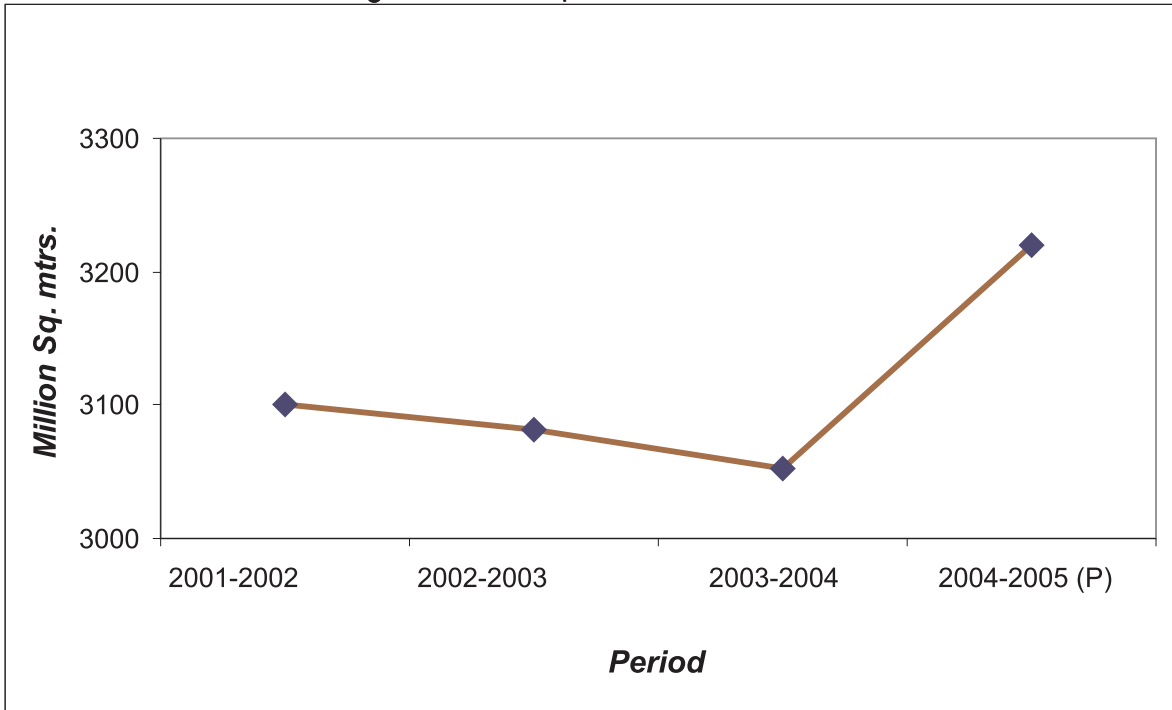


Fig 3: Growth in Cloth Production



5. Modernization of Processing Sector

The modernization of processing sector is estimated to cost approximately Rs. 10,000 crore.

- In Budget 2005-06, the Government has taken a step in this direction and announced a credit linked capital subsidy of 10%, in addition to the existing 5% interest reimbursement.

This measure have been widely acclaimed by the industry and trade circles and is expected to bring, at least, Rs. 1,500-2,000 crore of investment in two years.

6. Modernisation of Powerlooms

The Powerloom sector employs approximately 46 lakh people. When the present Government took office, powerloom sector was facing acute crisis due to obsolete technology, rising cost of production, diminished returns and poor infrastructure.

What has been done ?

- Formulated **Hi-tech Weaving Park Scheme** which provides for:
 - **20% capital subsidy on modern machinery**
 - **Subsidy for constructing Group Workshops** for weavers
- Approved **five projects at a cost of Rs. 78 crore;**
- This will provide additional employment for 12,000 persons;
- **Six Powerloom Service Centres (PSCs)** have been equipped at a cost of Rs. 5 crore for addressing the issues of training and design development;

- For welfare of the weavers, the Government is implementing Group Insurance Scheme. **The number of weavers covered under the scheme increased to 1,07,107 in 2004-05 from 60,338 in 2003-04 registering a growth of 77%;** and

- Powerloom units relieved of problems related to maintaining excise records and complying with excise procedures.

7. Building up World Class Infrastructure for Exports

Apparel Parks for Export (APE) Scheme

The Scheme aims to promote modern apparel units at major growth areas. Under the Scheme, Government gives grant of upto Rs.17 crore per apparel park for infrastructure work, training and common facilities. The 1st Apparel Park was inaugurated on 9th January, 2005 **at New Tirupur**. The Park has created **5,000 additional employment opportunities** and is acting as one stop shop for international buyers. Under the Scheme:

- **Twelve Apparel Park projects have been sanctioned at an estimated cost of Rs. 433 crore;**
- **Five such projects to be completed by the end of current year; and**
- **Would create additional employment for 2,50,000 people.**

Textile Centre Infrastructure Development Scheme (TCIDS)

This Scheme is designed to modernise infrastructural facilities at major textile centres. The Government of India provides grant upto Rs.20 crore for a particular centre.